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No.

IN THE

# Supreme Court of the United States

SHINPEI OKAJIMA,

*Petitioner,*

*v.*

JOEL BOURDEAU

*Respondent.*

*On Petition For A Writ Of Certiorari*
*To The United States Court Of Appeals*
*For The Federal Circuit*

## PETITION FOR A WRIT OF CERTIORARI

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November 27, 2001

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## Questions Presented

1) Can the Federal Circuit uphold Patent Office findings of fact under the substantial evidence standard of review set forth in 5 USC §706(2)(E) without addressing arguments made under the arbitrary and capricious standard of review set forth 5 USC §706(2)(A) that the Patent Office (1) entirely failed to consider an important aspect of the problem before it, and (2) engaged in contradictory conduct?
2) When both case law and Patent Office guidelines recognize certain factors as being highly relevant to prove the existence of a fact, and a party emphasizes those factors to establish the existence of the fact, can the Patent Office properly conclude that the fact does *not* exist without commenting on those factors?
3) Can the Patent Office conclude that the subject matter recited in a patent claim is nonobvious without addressing significant problems, techniques and advantages taught by the prior art?

## PARTIES TO THE PROCEEDING

Shinpei Okajima is the inventor named in a patent application that formed the basis for the proceedings below. That patent application was assigned to Shimano, Inc., the real party in interest.

Shimano, Inc. is a publicly traded Japanese company. Shimano, Inc. has no parent company. There are no subsidiaries or affiliates of Shimano, Inc. that have issued shares to the public.

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Shinpei Okajima hereby petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

## OPINIONS BELOW

The Federal Circuit opinion (App. A1-A9) is reported at 261 F.3d 1350. The opinion of the Board of Patent Appeals and Interferences (App. B1-B19) is unpublished.

## JURISDICTION

The opinion and judgment of the Federal Circuit was entered on August 16, 2001. A Petition for Panel Rehearing and Rehearing En Banc was timely filed on August 21, 2001 and denied on September 17, 2001. This Court has jurisdiction under 28 U.S.C. §1254(1).

## CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article 1, section 8, clause 8 of the Constitution provides:

"Congress shall have the power * * * to promote the Progress of Science and useful arts, by securing for limited Times to Authors and Inventors the exclusive right to their respective Writings and Discoveries."

35 U.S.C. §103(a) provides:

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability

shall not be negatived by the manner in which the invention was made.

5 U.S.C. §706 provides:

To the extent necessary for decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning of applicability of the terms of an agency action. The reviewing court shall—

(1) compel agency action unlawfully withheld or unreasonably delayed; and

(2) hold unlawful and set aside agency action, findings, and conclusions found to be—

(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

(B) contrary to constitutional right, power, privilege, or immunity;

(C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;

(D) without observance of procedure required by law;

(E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or

(F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.

Fed. R. Civ. P. 52(a) provides:

Effect. In all actions tried upon the facts without a jury or with an advisory jury, the court shall find the facts specially and state separately its conclusions of law thereon, and

judgment shall be entered pursuant to Rule 58; and in granting or refusing interlocutory injunctions the court shall similarly set forth the findings of fact and conclusions of law which constitute the grounds of its action. Requests for findings are not necessary for purposes of review. Findings of fact, whether based on oral or documentary evidence, shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court. It will be sufficient if the findings of fact and conclusions of law are stated orally and recorded in open court following the close of the evidence or appear in an opinion or memorandum of decision filed by the court. Findings of fact and conclusions of law are unnecessary on decisions of motions under Rule 12 or 56 or any other motion except as provided in subdivision (c) of this rule.

## STATEMENT OF THE CASE

This is a patent case that arose from an interference proceeding held in the U.S Patent and Trademark Office (PTO). Fortunately, the technology involved is very simple.

**1.** *Interference Proceedings.* When two people claim to have invented the same subject matter, the PTO commences an interference proceeding ("interference") to determine who is entitled to a patent for that subject matter. Initially, the patent examiner formulates a "count." A count represents the disputed subject matter, and usually the count is identical to the broadest claim in each party's patent application. The patent examiner then determines which other claims in each party's patent application recite obvious variations of the subject matter recited in the count. Those claims are said to "correspond to the count," and all such claims are included in the interference. Absent new issues of patentability raised during the interference, the first inventor is granted a patent that includes all of his or her claims that correspond to the

count. The other party must give up his or her claims that correspond to the count.

If a party believes that further claims in the other party's patent application should be included in the interference, that party may file a preliminary motion alleging that those further claims also recite obvious variations of the subject matter recited in the count. If the Administrative Patent Judge (APJ) assigned to decide the motion agrees, then those claims are added to the interference.

During the course of the interference, any party may file a preliminary motion alleging that specific claims involved in the interference are unpatentable. For example, a party may allege that the subject matter of such claims is obvious in view of the prior art, and hence unpatentable pursuant to 35 U.S.C. §103. If true, then nobody is granted a patent for that subject matter, and that subject matter is free for all to use.

**2.** *The Obviousness Inquiry.* While the ultimate question of obviousness is one of law, the §103 requirement lends itself to several basic factual inquiries:

> "Under §103, the scope and content of the prior art are to be determined; differences between the prior art and the claims at issue are to be ascertained; and the level of ordinary skill in the pertinent art resolved. Against this background, the obviousness or nonobviousness of the subject matter is determined." *Graham et al. v. John Deere Company, et al*, 383 U.S. 1, 17 (1966).

Since *Graham*, an additional requirement for the obviousness inquiry has evolved. Once the differences between the claimed invention and the prior art are determined, a reason must be shown why one of ordinary skill in the art would be motivated to modify the prior art to produce the claimed invention. Sometimes a party contends that the teachings of one prior art reference could be applied to the teachings of another prior art reference to produce the claimed invention. However, "before a conclusion of

obviousness may be made based on a combination of references, there must have been a reason, suggestion, or motivation to lead an inventor to combine the teachings of those references." *Pro-Mold and Tool Co. v. Great Lakes Plastics Inc.* 75 F.3d 1568, 1573 (Fed.Cir. 1996).

To satisfy the motivation requirement, it is well settled that the test is not whether the features of one reference may be bodily incorporated in another. *In re Keller*, 642 F.2d 413, 425 (CCPA 1981). A reference must be considered for everything it teaches by way of technology, and is not limited to the particular invention it is describing and attempting to protect. *E.W.P. Corp. v. Reliance Universal, Inc.* 755 F.2d 898, 907 (Fed.Cir. 1985), *cert denied*, 474 U.S. 843 (1985) (Trial court erred in disregarding prior art that clearly taught very technique essential to claimed invention).

It is often said that the motivation to combine references may flow from the nature of the problem to be solved. *In re Gartside*, 203 F.3d 1305 (Fed.Cir. 2000) (references attempt to solve the same problem). Furthermore, the Federal Circuit, sitting *en banc*, confirmed that the problem solved by the applicant is *not* a sufficient basis for patentability when the properties and results addressed by the applicant's invention are not recited in the claims. *In re Dillon* 919 F.2d 688 (Fed.Cir. 1990)(prima facie case of obviousness of claimed composition to dewater fuels not defeated by the fact that the applicant sought to reduce particulate emissions, when reducing particulate emissions was not recited in the claims.)[1] This makes sense, for one should be allowed to use his or her ordinary skill to produce an obvious structure regardless of whether someone else produced that same structure to solve a different problem. Thus, it is critical in order to understand this case that the motivational inquiry is commensurate with the scope of the claims. *In re Hiniker Co.* 150 F.3d 1362,

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[1] To overcome this doctrine, an applicant merely amends the claim to recite structure that clearly produces the desired property. Alternatively, the applicant may draft a method claim that recites the desired property.

1369 (Fed.Cir. 1998) ("The invention disclosed in Hiniker's written description may be outstanding in its field, but the name of the game is the claim.")

Finally, the PTO has taken the position that:

> "The strongest rationale for combining references is a recognition, expressly or impliedly in the prior art or drawn from a convincing line of reasoning based on established scientific principles or legal precedent, that some advantage or expected beneficial result would have been produced by their combination. [2]" *Manual of Patent Examining Procedure* (7th Ed, 1998) §2144 at p. 2100-101.

**3.** *The Disputed Subject Matter.* Snowboarders typically stand on the snowboard as shown in the Federal Circuit's opinion. (App. A-3) The snowboard is controlled by side to side movements of the user (i.e., to the front and rear of the snowboard). A known snowboard boot is shown in Figs. 1 and 2 of German Patent Publication No. DE 43 33 503 A1 (DE '503), (App. E-1, E-2) This boot is identical to the prior art boot shown in the European Patent Publication No. EP 646334 A1 described in Bourdeau's patent application.

The known boot comprises a rigid rear insert (16) that surrounds the calf laterally, and a rigid insert (13) that surrounds the heel and extends to the front of the foot. The rigid rear part (16) is pivotably connected to the rigid insert (13) through a pivot joint (18) so that that the leg section pivots around an axis (17) that lies in the longitudinal median plane (i.e., middle) of the boot.

Modern snowboarders perform various acrobatic movements which require the lower leg to bend diagonally inwardly as shown in the aforementioned illustration of the snowboarder. As stated in Bourdeau's patent application

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[2] The advantage flowing from the nature of the problem to be solved ordinarily is the solution to the problem, but a prior art reference may teach additional advantages flowing from the disclosed structure.

(App. D-2, third full paragraph) known boots have the disadvantage that, "in view of the position of the journal axis in the median longitudinal plane, only the lateral bending of the leg is actually taken into account. The component of natural forward bending of the lower leg is not particularly favored in view of the rigidity of the insert."

Bourdeau solves this problem by constructing a boot having inserts of the type shown in Figs. 3 and 4 of his patent application (App. D-6, D-7). In this boot, the pivot joint (70) connecting the inserts together is located offset from the longitudinal median plane P so that the resulting pivot axis O is inclined relative to the longitudinal median plane P by an angle $\theta$. This structure allows the leg to pivot diagonally inwardly.

**4.** *The Proceedings Below.* An interference was declared between Okajima and Bourdeau, as both parties claimed to have invented a snowboard boot wherein the leg portion of the boot pivots around an offset, inclined pivot axis. The PTO formulated a count to represent the subject matter in dispute, wherein claim 27 of Bourdeau's patent application is identical to the count. (App. B-5) The patent examiner initially designated claims 27 and 28 in Bourdeau's application as corresponding to the count.[3]

Okajima filed a Preliminary Motion ("Motion 1") to have claims 13-24 and 26 in Bourdeau's application designated as corresponding to the count. In other words, Okajima maintained that Bourdeau's claims 13-24 and 26 recited obvious variations of the subject matter recited in the count.[4] Claim 13 (App. D-5) was representative for Motion 1, and that claim specifically recites the angle of the pivot axis being between 20° and 45°.

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[3]Consideration of claim 28 is not necessary to the issues raised herein and will not be discussed further.

[4] Consideration of claims 14-24 and 26 likewise are not necessary to the issues raised herein and will not be discussed further.

At the same time Okajima filed Motion 1, Okajima filed another Preliminary Motion ("Motion 2") alleging that all of Bourdeau's claims involved in the interference (claims 13-24 and 26-28) were unpatentable over the prior art.[5] Claim 27 was representative for that purpose, since it is the broadest claim in Bourdeau's application and is identical to the count. Claim 27 (and the count) broadly covers a snowboard boot wherein the leg portion pivots by *any* angle, even 0.001°.

For both motions, Okajima referred to the known boot shown in DE '503 and a prior art ski boot shown in European Patent Publication EP 356,400 A2 (EP '400)[6]. (App. F1-F13). The EP '400 boot was described identically in both motions as follows:

> "EP '400 states at page 3, lines 28-29 [of the English translation] that anatomical studies and experiments have shown that the knees move to the front and inward when adopting a forward leaning stance. This phenomenon is described in the English translation at page 4, lines 21-38 and illustrated in Figure 1 which shows a right human foot (1), a lower leg (2), and anklebones (3) and (4). When bending the lower leg (2) forward, the knee moves obliquely inward as indicated by the line (d) in Figure 1. Line (d) forms an angle α with the longitudinal axis (a) of the foot. The line (e), which is perpendicular to line (d), forms the swivel axis."
>
> * * * *
>
> "A right side ski boot constructed to accommodate the laterally inwardly pivoting lower leg (2) is shown in Figures 2-3 and described at page 5, lines 5-42 of the English translation. * * * * As stated at page 3, lines 13-14, for optimum control of the ski it is important that the

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[5] The contentions made in Motion 2 would apply with equal force to the claims in Okajima's patent application.

[6] EP '400 was discovered in a patent search performed after the interference was declared.

boot be adapted to fit snugly with the foot and lower leg of the skier without producing pressure points.[7] * * * *"

* * * *

"A pivoting joint device (12) is arranged on the outside (6) of the boot, and another pivoting joint device (14) is arranged on the inside (7) of the boot wherein, as stated at page 5, lines 20-23 of the English translation, the outside joint device (12) is displaced toward the toe of the boot, and the inside joint device (14) is displaced toward the heel of the boot. The resulting swivel axes (13, 15) thus align with the swivel axis (e) shown in Figure 1, so swivel axis (15) defined by inside joint device (14) is likewise inclined medially (inwardly) of the longitudinal axis (a') of the boot. * * * *"

Okajima also relied on the teachings of German Patent Publication DE 36 22 746 A1 (DE '746) showing, *inter alia,* various poses adopted by snowboarders during use.

**5.** *Decision on Motion 1.* The Administrative Patent Judge (Judge Lee) granted Okajima's Motion 1 and made the following findings:

"The stated advantage of EPO '400 is that the adaptability of the boot to foot movements is improved. On page 4, EPO '400 states: "The problem for the present invention is to create a ski boot which takes account of the anatomical movements of the lower leg of humans relative to the foot when bending forward ...." That characterization of the EPO '400 makes it reasonably pertinent to the problem addressed by Bourdeau, i.e., that the shells of preexisting snowboard boots poorly transmit bending stresses due to imprecise adaptation of the rear upstanding element of the shell to the boot. Moreover,

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[7] EP '400 refers to the pressure points caused by the mismatch between the designed motion of the boot and the direction of motion of the leg.

Bourdeau focuses on the inward bending stresses commonly experienced by snowboarding."

* * * *

"It would have been within the basic knowledge and common sense of one with ordinary skill in the art that the choice of a particular journaling angle would affect the freedom of movement of the wearer's lower leg, since it is the leg member that is connected to the heel member. Thus, depending on the needs of the sport, the journaling angle can be optimally selected. As Okajima has pointed out, DE '746 reveals that monoski users, such as snowboarders, incline their lower legs much further laterally than the simple forward lean of dual ski users.

* * * *

"The test for obviousness is not whether the features of one reference may be bodily incorporated in another, but what would have been suggested by the combined teachings of the applied references as a whole. *In re Keller*, 642 F.2d 413, 425; 208 U.S.P.Q. 871, 881 (C.C.P.A. 1981). Accordingly, whether the ski boot of EPO '400 can benefit from the angle ranges specified by the claims at issue is irrelevant. A reference must be considered for everything it teaches by way of technology and is not limited to the particular invention it is describing and attempting to protect. *E.W.P. Corp. v. Reliance Universal, Inc.*, 755 F.2d 898, 907, 225 U.S.P.Q. 20, 25 (Fed.Cir. 1985), *cert. denied*, 474 U.S. 843 (1985)."

Bourdeau did not challenge the judgment in Motion 1. Thus, claims 13-24 and 26 were added to the interference.

**6.** *Decision on Motion 2.* It is undisputed that the only difference between the boot recited in representative claim 27 and the boot shown in DE '503 is the offset inclined pivot axis. Thus, Okajima needed to show a motivation to incline the pivot axis of the boot shown in DE '503 by *any* angle, even so much as 0.001°. To that end, Okajima stated two distinct advantages to provide the motivation as follows:

> "It would be obvious to offset the pivot location from the median plane so that the axis of rotation forms an angle with the longitudinal plane as expressly suggested in EP '400 to accommodate the natural tendency of the leg to pivot inwardly whenever the leg pivots forwardly and to avoid pressure points."

This time, the APJ did not discuss the problems addressed by Bourdeau and EP '400 or engage in any of the considerations quoted above when he decided Motion 1. Instead, the APJ merely stated that there was no motivation to incline the pivot axis in DE '503 because the opposing joints of EP '400 provide a swiveling action primarily in the longitudinal direction and would appear to effectively preclude meaningful pivoting action in the lateral direction. Okajima requested a final hearing before the Board of Patent Appeals and Interferences (the Board) to decide Motion 2.[8]

**7.** ***The Final Hearing.*** At the hearing, counsel for Okajima emphasized how it is already known that snowboarders more their legs diagonally inwardly. (App. G-1) Using DE '503 as an example, counsel discussed how a boot that is designed to move in one direction resists leg movement in a different direction, and that such resistance produces discomfort, pressure points, etc.. Counsel pointed out how EP '400 is directed to the same problem of a boot that is not designed to follow the diagonal movement of the leg, and how such a mismatch resists the desired movement and causes pressure points and discomfort, etc.. Counsel repeatedly emphasized how the motivation to combine the

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[8] Prior to the Final Hearing before the Board, Bourdeau filed a motion to exclude a prior art reference, Austrian Patent No. 399,637 (AT '637), and related arguments that Okajima submitted in reply to Bourdeau's Opposition to Okajima's Motion 2. While the Board expressed the belief that the citation of AT '637 was improper, they nevertheless stated that they considered the reference and arguments that referred to it (App. B-14 to B-15, "Okajima's Brief"). Nevertheless, AT '637 and the arguments referring to it are not relied on in this petition because the impropriety of the Board's actions can be shown without them.

teachings of the references comes from a desire to use the same techniques to solve the same problem, and hence produce the same advantages.[9]

The Board did not engage in any discussion beyond the exact physical structure of the EP '400 boot despite counsel's reminder that the teachings of the references are not to be limited to the exact embodiment disclosed in EP '400, as Judge Lee himself acknowledged in his decision in Motion 1.[10] The Board merely concluded that, since the embodiment shown in EP '400 disclosed joints on opposite sides of the boot, it appeared to preclude substantial lateral movement as desired by the DE '503 boot. (App. at B-14 to B-16)

**8.** *The Appeal.* Okajima contended on appeal that the Board's decision was unsupported by substantial evidence[11] and that the Board erred as a matter of law by failing to make any findings of fact for either the level of skill in the art, the nature of the problem to be solved (specifically the pressure point problem), or the advantages taught by the prior art.

Additionally, Okajima listed in the "Statement of the Issues," and fully briefed, the question of whether the Board's findings were arbitrary and capricious. Okajima cited this court's decision in *Bowman Transportation, Inc. v. Arkansas Best Freight System, Inc., et al*, 419 U.S. 281,284 (1974) for the proposition that, even if an agency's findings are supported by substantial evidence, they may nonetheless

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[9] Bourdeau never contested, during the entire proceedings before the PTO (including oral argument), the allegation that the DE '503 boot would cause undesirable pressure points because of the mismatch between boot and leg movements. That is not surprising, given the statement in his application that "The component of natural forward bending of the lower leg is not particularly favored in view of the rigidity of the insert."

[10] The entire "extended colloquy" noted in the Federal Circuit's opinion is reproduced in the appendix to provide respondent with the opportunity to show where the Board engaged in any consideration of factors beyond the exact physical structure of the EP '400 boot.

[11] In *Gartside*, *supra*, the Federal Circuit concluded that the substantial evidence standard applies to the review of PTO factfinding.

reflect arbitrary and capricious action and are to be reviewed under that standard as well.

Okajima contended that the Board's decision should be set aside as arbitrary and capricious (1) for entirely failing to consider an important aspect of the problem[12] (*e.g.*, the problems and advantages taught by EP '400), and (2) for inconsistent conduct as evidenced by the contradictory treatment of the same problem/advantages issues in Motion 1 and Motion 2. Bourdeau argued that only the substantial evidence standard applied.

During oral argument before the Court, counsel for Okajima early on and very quickly conceded that the failure to make findings related to the level of skill was a secondary argument, and that counsel was willing to drop it. The following discussion ensued:

> Court: "Well, what's the most important thing that they didn't discuss at all, that you think is so central to the case that it's just an abdication of a tribunal's responsibility, to fail to discuss that critical point?"
>
> Counsel: "The critical point is, well, certainly responding to my arguments, your Honor. I believe we are entitled to have the Board respond to our arguments, meaning that there were two..."
>
> Court: "Any argument? Secondary argument? Tertiary argument? Twenty arguments?"
>
> Counsel: "No, your Honor, the specific arguments that were directed to the motivation of why - we answered the question of why there would be a motivation, and that is two points: to allow the leg to go in the direction of the boot, go in the same direction as the leg, and in order to avoid pressure points. And that issue of pressure points was undisputed at any time in the proceedings below. And

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[12] This is a standard for arbitrary and capricious behavior set forth by this Court's decision in *State Farm, infra.*

that's what really bothers us, because it seems to us that if it goes undisputed, then why rule against us?"

The Federal Circuit's opinion spends much time discussing why the failure to make findings related to the level of skill was harmless (although counsel abandoned the argument), but not one word is devoted to the pressure point issues counsel considered very important.

The opinion sets forth a detailed analysis of the narrow claim 13, even though the broader claim 27 was specifically set forth as the representative claim for review both before the Board and the Court (since claim 27 is identical to the count), and even though neither party made arguments directed to claim 13 in their briefs. No mention is made of Okajima's pressure point argument, and no analysis was performed under the arbitrary and capricious standard of review. The opinion merely states that the Board's decision is "well supported," and that the Board need not make any more findings than that required by Fed. R. Civ. P. 52(a).

## REASONS FOR GRANTING THE PETITION

Okajima seeks review because the judgment below (1) conflicts, either directly or in principle, with the decisions of this Court; (2) severely undermines the policies and goals of administrative and patent law; and (3) debilitates the patent system by encouraging incomplete factfinding which, in turn, promotes litigation.

U.S. patents have a substantial impact on commerce. When the PTO grants a patent without proper scrutiny, it withdraws knowledge from the public domain, and the effect lasts for 20 years. Administrative law, properly applied, can prevent this from happening. However, the Board's silence regarding factors deemed highly relevant by case law as well as factors indicated as being the "strongest rationale for combining references" per the PTO's own guidelines, especially when those factors are emphasized during the hearing, discards the principles of fundamental fairness

represented by the concept of a hearing, not to mention the expectation that an agency will apply its expertise to resolve the issues. The Federal Circuit's sanctioning of this conduct, their analysis of a narrower claim than the claim specifically presented for review, and their own silence in the face of a similar emphasis on the important factors during oral argument, so far departs from the accepted and usual course of proceedings in the review of administrative action that it calls for an exercise of this Court's power of supervision. Silence should never be an acceptable tool to make a decision appear reasonable and without conflict with controlling legal authority. Both opinions illustrate an intolerable gap that needs to be closed immediately by this court to avoid further degradation of the administrative and patent systems.

Okajima is not asking this Court to become embroiled in a factual dispute. It can be accepted as true that the exact physical structure of EP '400 does not suggest the application of that structure to DE '503 with respect to the narrow claim 13. Rather, Okajima maintains that well-established principles of administrative law and patent law dictate that the inquiry should not end there. When it does, the objectives behind both bodies of law are frustrated.

## I. The Decision Below Conflicts With the Decisions Of This Court.

"In *all* cases agency action must be set aside if the action was "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law" or if the action failed to meet statutory, procedural or constitutional requirements. 5 U.S.C. §§706(2)(A), (B), (C), (D) ..." *Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402, 413-414 (1971) (emphasis added). *Bowman, supra,* specifically noted the requirement to apply the arbitrary and capricious standard *in addition* to the substantial evidence standard.

The Federal Circuit was expressly asked to review the Board's conduct under the arbitrary and capricious standard

of review in addition to the substantial evidence standard of review. It did not do so. This omission was brought to the Federal Circuit's attention in Okajima's Petition for Panel Rehearing and Rehearing En Banc (petitions for rehearing). Since the petitions for rehearing were denied, the omission clearly was not unintentional. The conflict with *Bowman* and *Overton Park* is no less real when it occurs through silence as opposed to an express denial of the principle.

During oral argument, counsel for Okajima maintained that this Court's precedent requires the reviewing court to ensure that the agency considered all of the relevant factors. That contention earned the following response:

> Court: "Yeah, but this, this is, this is not a rulemaking procedure, let alone - you cited all sorts of cases involving things like the Interstate Commerce Commission. That's a far, far distant realm from where we are here, with the PTO, with a Board decision on an obviousness issue, and an interference proceeding."

Counsel presumes the Court was referring to *Bowman*, which involved the Interstate Commerce Commission, and to *State Farm*, *infra*, which involved a rulemaking proceeding. It evidences a belief that the principle recognized in *Bowman* applies only to proceedings arising from the Interstate Commerce Commission. That clearly should not be the case. To the extent that such a view is correct, then clearly it is necessary for this Court to address the matter in the patent context.

Okajima's concern with the application of the arbitrary and capricious standard is more than just academic. As discussed more fully below, it is perhaps the only way to avoid injustice by silence. Indeed, the problem is especially likely to happen whenever any agency concludes that an alleged fact was *not* established. When multiple factors are presented to an agency to support a conclusion that a fact exists, some factors may be relevant but not dispositive for that purpose, and other factors may be very strong for that

purpose. That a factor X does not prove the existence of a fact does not preclude a factor Y from proving the existence of the fact. When the Board remains silent on the PTO's admitted "strongest" rationale for combining the teachings of the prior art and the principles used to solve problems, and addresses only the factors that are not dispositive as a matter of law (*i.e.*, the exact physical structure of the prior art boot), it creates the illusion that the Board's findings are supported by substantial evidence when in fact they clearly are not.

Furthermore, Justice Scalia, when writing for the Court of Appeals for the District of Columbia, properly noted that:

> "[t]he 'scope of review' provisions of the APA, 5 U.S.C. §706(2), are cumulative. Thus, an agency action which is supported by the required substantial evidence may in another regard be 'arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law' - for example, because it is an abrupt and unexplained departure from agency precedent. Paragraph (A) of subsection 706(2) -the 'arbitrary or capricious' provision - is a catch-all, picking up administrative misconduct not covered by the other more specific paragraphs." *Association of Data Processing Service Organizations, Inc. v, Board of Governors of the Federal Reserve System*, 745 F.2d 677, 683 (DC. Cir. 1984).[13]

Findings should be required to ensure that the agency considered all of the important factors and that the agency is not otherwise acting whimsically or with bias, prejudice or hostility. In this case, the problems and advantages addressed by Bourdeau and EP '400 were deemed relevant in Motion 1 but not Motion 2. What was deemed a matter of "common sense" in Motion 1 apparently baffles a highly skilled boot designer in Motion 2. The APJ recognized and cited the *E.W.P.* case for the well-known doctrine that it is error to focus solely on the specific embodiment of the prior art

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[13] This quotation also was provided in Petitioner's opening brief to the Federal Circuit.

rather than the techniques taught, and then does exactly that in Motion 2. A prima facie case of arbitrary and inconsistent conduct was clearly set forth and needed to be addressed.

Nor should Fed. R. Civ. P. 52(a) be allowed to excuse the proper application of established principles of administrative law. The Federal Circuit's opinion cites no authority for the proposition that even a District Court can properly fail to make findings on potentially dispositive factors, let alone the "strongest rationale" for combining references. That rule also should not allow contradictory conduct by a District Court. If anything, principles of administrative law should be applied to Fed. R. Civ. P. 52(a) to curb arbitrary and capricious action by lower courts.

## II. The Decision Below Undermines The Policies And Goals Of Administrative And Patent Laws.

Okajima cited *Motor Vehicle Manufacturers Association v. State Farm Mutual Automobile Insurance Co.*, 463 U.S. 29, (1983) in his brief for the proposition that agency action is arbitrary and capricious if the agency "entirely failed to consider an important aspect of the problem" *Id.* 463 U.S. *at* 43. Okajima claimed that the PTO violated this standard by entirely failing to consider, *inter alia*, the entire lines of evidence related to the problems and advantages taught by EP '400.

The standard set forth in *State Farm* sets a reasonable minimum threshold for upholding agency factfinding, whether grafted onto the substantial evidence standard of review or as part of a separate arbitrary and capricious inquiry. It is perhaps the only tool for avoiding injustice by silence. As this case amply illustrates, failure to apply that standard can result in the anomalous situation wherein agency factfinding passes the substantial evidence standard of review yet arguably fails the more deferential arbitrary and capricious standard of review. This court should grant certiorari to close this loophole and to ensure that all circuits

and all agencies (or at least the Patent Office) are consistent in the application of this aspect of administrative law.

As noted above, the court expressed irritation that counsel cited a rulemaking case for authority in reviewing a PTO adjudication. The Federal Circuit previously expressed their view that the standard for arbitrary behavior set forth in *State Farm* is optional depending upon the agency being reviewed. In *Hines v. Secretary of the Dept. of H.H.S.*, 940 F.2d 1518 (Fed.Cir. 1991), the Federal Circuit referred to the standard quoted in *State Farm* and other decisions of this court and stated "We need not and do not adopt any of these definitions for use in vaccine cases." *Id.* 940 F.2d *at* 1527-1528.

There seems to be no reason to allow any agency to "entirely fail to consider an important aspect of the problem" before it. Accordingly, this is an area of law badly in need of this Court's authoritative guidance. Such also would provide valuable future guidance to other administrative agencies and to the other circuit courts of appeal, thus improving the entire administrative and judicial system.

Finally, the Federal Circuit's opinion emphasizes the parties' obligation to make his or her position known during oral argument. However, no similar obligation was placed on the PTO to engage the issues raised. When it became clear to the Board that Okajima was placing special emphasis on "using the same techniques to solve the same problem," the Board likewise was put on notice that they needed to address such problems and techniques. Clearly, the Board did not address either of these issues. To say that the PTO was "not convinced" by the arguments implies that they actually engaged the issues, which they did not. It is unclear what is the point of having a hearing if the agency is allowed to ignore what is said. This Court should ensure reciprocal obligations on both sides and for all administrative agencies.

## III. The Decision Below Encourages Incomplete Factfinding and Promotes Litigation.

Given that most, if not all, modifications to prior art devices are intended to solve a perceived problem or improve the device by providing some advantage, to allow the PTO to grant patents without considering these factors makes no sense. And if a major goal of the patent laws is to allow the unfettered exercise of ordinary skill, then to grant a patent without consideration of the known principles and methods used to improve the prior art seems absurd. The problems, techniques and advantages taught by the prior art should not be optional considerations for patentability.

As this Court emphasized in *Graham*, "it must be remembered that the primary responsibility for sifting out unpatentable material lies in the Patent Office. To await litigation is, for all practical purposes, to debilitate the patent system." 383 U.S. *at* 18. Unfortunately, the result below promotes such debilitation. The Federal Circuit's opinion sends a strong message to the PTO that it need not address the arguments emphasized to them, it need not worry about inconsistent reasoning, and it may cease the obviousness inquiry whenever it appears that the exact physical structure of one prior art device should not be bodily incorporated into another prior art device, regardless of the scope of the claim and the known problems, techniques and advantages taught by the prior art.

No patent should leave the PTO with significant validity issues outstanding. When one does, it requires years of some District Court's time and considerable expense both to the judiciary and to the parties to resolve issues that should have been resolved in the PTO in the first place. Administrative agencies are supposed to relieve the burden on the judicial system, not increase it. Since the vast majority of patents are granted in an *ex parte* manner, the ability to directly challenge the conduct noted here is rare. This Court needs to

speak now before the problem gets way out of hand. Indeed, this case shows that it may have already. Requiring the Patent Office to give some indication that they indeed applied their expertise to resolve the issues before it in an unbiased manner avoids this problem and improves the public's confidence in the administrative process.

The Federal Circuit's opinion adds to the problem. As noted above, the Court analyzed the incorrect claim. The representative claim before the Board and the Federal Circuit was the broad claim 27, not the narrow claim 13. The inquiry for claim 13 is whether there is a motivation to incline the pivot axis specifically by 20° to 45°, whereas the inquiry for claim 27 is whether there is a motivation to incline the pivot axis at all. These are two very different inquiries. Claim 13, was neither briefed nor argued before the Court. This error was noted in the denied petitions for rehearing. Thus, the question of whether the Board erred in its conclusion that there is no motivation to combine the teachings of the prior art to render claim 27 unpatentable, the primary case presented to the Court for review, remains unanswered.[14]

The kind of stealth activity that occurred throughout the proceedings below severely debilitates the patent system and represents conduct that is alien to the basic concept of justice. It is the duty of an administrative agency to apply its expertise to resolve all of the important issues before it. It is the duty of the appellate court to ensure that the agency properly discharged that duty according to settled principles of administrative law. Only this Court can ensure that this will happen in the future. Given the wide-ranging impact that the patent system has on society, this Court should do so.

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[14] If certiorari is granted, Okajima intends to argue that the evidence is so overwhelming that claim 27 is unpatentable as a matter of law.

## CONCLUSION

For the reasons noted above, the petition should be granted.

Respectfully submitted,

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